

VZCZCXRO6132
OO RUEHAG RUEHDF RUEHIK RUEHLZ
DE RUEHRL #1132/01 1170500
ZNR UUUUU ZZH
O 270500Z APR 06
FM AMEMBASSY BERLIN
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2783
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RUCNFRG/FRG COLLECTIVE PRIORITY
RHMFIUU/DEPT OF ENERGY WASHINGTON DC
RUCNMEU/EU INTEREST
RUEHMO/AMEMBASSY MOSCOW 1605

UNCLAS SECTION 01 OF 02 BERLIN 001132

SIPDIS

SENSITIVE
SIPDIS

PASS TO EC/ESC/IEC GALLOGLY
DOE FOR PUMPHREY

E.O. 12958: N/A
TAGS: [ENRG](#) [EINV](#) [PREL](#) [PGOV](#) [GM](#) [RUEUN](#)
SUBJECT: GERMANY'S GAS IMPORTS FROM RUSSIA: BACKGROUND TO
CHANCELLOR MERKEL'S VISIT TO TOMSK

SENSITIVE BUT UNCLASSIFIED. PLEASE HANDLE ACCORDINGLY.

11. (SBU) SUMMARY: Energy issues will feature in Chancellor Merkel's agenda for April 26-27 talks with Russian President Vladimir Putin in Siberia. Recent EU-Gazprom exchanges and German media have played up the emotional side of Russian gas deliveries to the EU. Economics Minister Glos and an all-star cast of German business leaders will accompany Merkel to Tomsk, including energy giant Eon and BASF executives. BASF is likely to sign an agreement in Tomsk with Gazprom giving it a 35 percent share in the Yushno Russkoje gasfield, while competitor Eon may sign a deal for a 15 percent stake. Gazprom is seen here as increasing the pressure to gain access to downstream markets in Europe, including German markets that Eon seeks to shield. END SUMMARY.

12. (SBU) A key German Economics Ministry energy official told Embassy April 19 the Ministry was concerned and "puzzled" over recent Gazprom complaints that the EU allegedly politicized gas supply issues during an April 18 Gazprom meeting with EU ambassadors. The German press has given strong play to Gazprom's statements about shifting more of its shipments to China and other markets, suggesting the sales to the East imply future possible shortfalls of Russian gas for EU markets. Gazprom officials also reportedly complain about alleged EU (and German) efforts to obstruct Gazprom's entry to downstream gas markets in the EU. Germany's Eon executives, according to press and other sources, have stonewalled Gazprom's bid to obtain major stakes in German gas distribution firms. The German Economics Ministry official expressed dismay that Gazprom had made the issue an emotional one. Economics Minister Glos sought this week to defuse the issue, stating Gazprom had always been reliable as a gas supplier and could have no interest in abridging long-term contracts. (Eon has contracts for Gazprom supplies valid at least until 2020).

13. (U) German firms have developed strong ties to Russian gas exploration and delivery. German officials and industry leaders have often viewed Germany's reliance on these ties as part of a profitable "two way street" that involves considerable German investment and technology exports to Russia and what they have repeatedly described to us as "reliable energy supplies for Germany." Although the chemical giant BASF's officials in Berlin are reluctant to confirm a deal will be concluded in Tomsk, BASF's oil and gas subsidiary Wintershall is widely expected to sign a contract with Gazprom for a 35 percent share of the Yushno Russkoje gas field. Gazprom would retain a slight majority in the field's

development and agree to a 15 percent stake in the field as part of a second expected Tomsk agreement with Eon. Accompanying Merkel to Tomsk are BASF board chair Juergen Hambrecht and Eon's chair Wulf Bernotat. The media reports that, in return for BASF's new stake in the Russian field, BASF would arrange for Gazprom's increasing its stake in Wingas, BASF's German gas distribution joint venture, from 35 to 49 percent and would also sell Gazprom shares in Wintershall's oil and gas operations in Libya. The Yushno Russkoje field would be a main supply source for gas for the Baltic Sea pipeline, whose construction was launched in a late 2005 agreement between then Chancellor Schroeder and Putin.

¶4. (U) Although Germany's largest energy firm, Eon has taken second place to BASF in recent agreements on Russian gas fields. According to the media, Gazprom wants to pressure Eon for more access to the German gas market. Besides growing ties with BASF, Gazprom is reportedly negotiating directly on wellhead access with RWE, Eon's largest German competitor, as well as with Hamburg-based Concord Power.

¶5. (U) In addition to energy executives, Merkel has included in her entourage an all-star roster of German business leaders, whose firms' are involved in the growing German-Russian trade in goods that amounted to 39 billion euros in ¶2005. Participants include Deutsche Bank chief Josef Ackermann and Commerzbank's Klaus-Peter Mueller, who have provided financing to Gazprom, including for the new Baltic Sea pipeline. The chief of the German government's development bank, KfW, will also be in Tomsk. German railways (Deutsche Bahn) chief Hartmut Mehdorn and the Airbus parent company EADS' chief Thomas Enders will participate as they look to more sales and cooperation in the transport sector. Germany has a major stake in engine and rolling stock exports to upgrade Russia's railway system.

BERLIN 00001132 002 OF 002

TIMKEN JR